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**Panel 2: Democratization in the Region**

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In his classic book on democratization<sup>i</sup> Robert Dahl argues that democracy can occur in authoritarian regimes when there is an increase in both liberalization, such as freedom of association or freedom of expression, and participation like power sharing and meaningful elections. If liberalization alone takes place, the authoritarian regime evolves only into “competitive oligarchies” which control the country. If participation alone takes place without liberalization, the system becomes only an “inclusive hegemony”. This model fits the Arab-Persian Gulf monarchies quite well. Today, one could describe Saudi Arabia as a society increasingly composed of “competitive oligarchies”, but it is very far from evolving towards democracy. The Saudi ‘oligarchies’ are not actually families but are competing social actors: the Salafis, the civil service, the merchants, and large sections of the Royal Family. The senior members of the Royal Family are the only arbiters between the various groups and therefore indispensable group to maintain its position vis a vis the other.

Economic development does not play a great role in the Dahl format, and in the Gulf is not a direct causal variable in pushing for democracy. However, the tremendous economic development that has taken place in the Gulf in the past 40 years has had a great impact on everyday life, but in the region it enters the democracy puzzle only in an indirect way. As the countries’ economies grow, the need for skills is met in great part by foreign labor. Today, the educational systems are being revamped more or less quickly to create the skills needed to replace the guest-workers. However, in Saudi Arabia, these changes in the educational system are slight compared to the overreaching religious Salafi curriculum. However, the small efforts to teach practical skills made in 2005 coupled with increasing pressure from educated women pushing to enter the work force threaten the Salafis’ hold on society.

Meanwhile, the Gulf societies are increasingly influenced by globalization. International mass media and the internet are prominent all over the Gulf. The Gulf citizens travel widely and easily to Europe, South Asia or to the Far East. In the case educational reforms, these external media influence the civil service and the merchants to question the Salafis’ control of society. The civil service and the merchants all look up to the Royal Family to liberalize education and soften the Salafis’ influence, who in turn also seeks the Royal Family’s support to maintain its puritan god-oriented agenda on the population.

In accordance with Dahl’s schema, as long as true participation is not added to a slow liberalization of society due to the economic development of the region, one cannot

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expect much movement towards democratization. This paper will focus mainly on Saudi Arabia and Bahrain. The Saudi evolution toward democratization on is by far the slowest in the Gulf, but to some degree the underlying elements of societal change are present in all the other Gulf monarchies. Certainly the changes created by economic development have been the most dramatic in the Kingdom, and have been accompanied by the slowest improvement in democracy. In Bahrain, liberalization has been more pronounced than in Saudi Arabia, but despite substantial transformation of institutions aping democracies, the increase in participation has not moved one iota.

## **The Saudi System**

### **-The Salafis**

The Royal Family of Saudi Arabia, which rules and controls the Kingdom, has managed to maintain its position in Saudi society almost constantly since 1744, when the alSaud allied themselves with the Sunni reformer Mohamed AbdelWahab. At the time the arrangement meant that AbdelWahab could spread his message of obedience to the one God directly through strict moral and religious prescriptions, without any intermediary. The alSaud for their part provided the political, financial and military protection to the reform movement. The arrangement has not changed greatly since then. The heirs of AbdelWahab have split into various factions, but the most influential today are the Salafis, with whom the Royal Family has maintained a symbiotic relationship. The Salafis are entirely dependent on the royal family for funding. By order of the King, the state supports the clergy and pays for the construction and maintenance of all mosques. The state imposes a strict religious education for close to 41% of the students' time, which only discusses the rules of Sunni Islam as seen by the Salafis<sup>ii</sup>. The state finances the religious police, the Mutawa'een and has substantially increased its budget in 2004<sup>iii</sup>. The Salafis need the Royal Family to maintain its hold on the judiciary which imposes their strict interpretation of the Shari'a law on family, criminal or even business matters. For its part the Royal Family needs the Salafis to bolster its legitimacy. The Salafis give them perfect cover to limit political dissent or even discussion. They can unleash the Salafis against any potential internal threat to their leadership, under the guise of fighting immorality such as women driving, or mixing with men in the work environment.

### **-The Civil Service**

Saudi Arabia is blessed with the largest oil reserves in the world. In part due to the benefits of oil income, it is also blessed with one of the largest population growths in the world. Today, 75% of the population is below the age of 21. The country urgently needs to create jobs. Hence, economic development is a key priority of the Saudi leadership. As early as 1964, King Faysal realized the need to provide development for his people. Faysal probably had not foreseen today's globalization, but he had a vision to make the Kingdom an economic leader in the world. He, and his brother Prince Fahad [who became King in 1985], established a modern, highly competent and, by and large, honest, civil service that played a major role in the kingdom. Today this civil service has

direct or indirect control of the oil sector, the petrochemical industry and most of the financial sector.

The civil service prepares policy for approval by the senior princes and then implements the final decision. It appears that the power of the technocrats in the government is indeed important. The country is greatly dependent on its energy supply. Oil revenues fluctuate between \$35 billion in 1998 to over \$110 billion in 2004. The petrochemical industry is growing by leaps and bounds and may one day replace oil as the chief resource of the Kingdom. Today, the state controlled petrochemical company, SABIC, produces 43 million tons of products, to increase to 60 million tons in 2010. Sales exceeded \$18 billion in 2004, up from nothing 20 years ago. The Kingdom could become the largest producer of petrochemicals in the world by 2020. This growth has been devised, built and implemented by the civil service. All the developments in the oil and petrochemical sectors are fundamentally technical. Only highly trained technocrats can handle it. Therefore, the Royal Family, who has no prince with any suitable engineering background, is entirely dependent on the civil service for its income and that of the country as a whole.

However, the civil service could not achieve the present economic development of the Kingdom without the support and understanding of the senior members of the Royal Family. The technocrats need the Royal Family to protect them from the Salafis, who, while eager to receive income from oil, are always eager to stamp out the evils they perceive to lurk behind the walls of Saudi Aramco or SABIC. The technocrats must also be sure that the junior members of the family will not get any position of power in the energy sector as it would ensure the failure of high-tech plants, labs or field work, and hurt both the present income flow and the future development of the Kingdom. To their great credit, the senior princes, knowing their own weakness, have by and large left the civil service alone in managing the crown jewels. Therefore, there is a symbiotic relationship between the civil service and the royal family. The Royal Family protects the civil service and its vision of the country, while the civil service provides the necessary means for the Family to manage the country and to make it a major economic power in the 21<sup>st</sup> century.

#### -The Merchants

The merchants play a vital role in the management of the Kingdom. They provide the smooth operation of day to day living. They run the import and distribution of all consumer goods, from cars to steaks. The distribution systems in the Kingdom are among the most advanced in the world. Supermarkets offer an array of choices not found in most advanced countries. The plethora of shopping centers, from basic strip malls to extreme luxury shopping malls is found only in other countries of the Gulf. There are extensive amusement parks and hotels for use by Saudi families built and owned by the merchants. The merchants have also built the infrastructure to support the development of the Kingdom. Airports, roads, factories, harbors, schools, mosques, ministries, all have been built by the private sector, either by merchant-owned contracting firms like bin Laden, or by foreign contractors represented by Saudi merchants such as the Juffalis,

Olayan, Alirezas, etc. It is safe to say that without its entrepreneurial merchant class, the country could not have developed and run as smoothly as it has.

The merchants have also started getting involved in industry. There are a number of sophisticated plants owned and run by the merchants in Jeddah, Riyadh and Dammam which manufacture air conditioners, packaging, bathroom fixtures, bricks, cement, trucks, fiberglass optics, etc. Some of these plants actually export their products worldwide in competition with the western manufacturers.

The merchants have greatly profited from the open labor market which allows them to import cheap and pliable foreign labor. There are but very few incentives to hire local Saudis when any industrialist or shop keeper can bring in educated labor in a state of semi servitude. Foreign laborers surrender their passport to their employer and even though labor laws do provide protection to the laborers, it is rare to see a dispute resolved in favor of the employee. Saudi merchants maintain that the Saudi labor force is not educated properly and unemployable. In great part this is due to the Salafi control of education and their repression of women. However, with proper, albeit expensive, training the merchants could increase substantially their employment of Saudis. Instead, the merchants lobby the state and the Royal Family to maintain their access to foreign labor.

The Royal Family does indeed need the merchants to maintain the smooth operation of day-to-day life. In return the merchants have profited grandly from the oil resources. By law and tradition, each item sold in the Kingdom at one point or another has blessed a merchant with some profit. Hence the merchants need the Royal Family to maintain their privileges on trade, imports, labor hiring and their ability to obtain infrastructure and supply contracts to the government. The merchants need the Royal Family to protect them against the constant efforts of the Salafis to “eradicate vice and promote virtue” in malls and factories, and against the sometimes overreaching bureaucratic civil service which has strong controls over the financial markets and the enforcement of industrial subsidies.

### **Economic Development**

Fueled by almost \$1.4 trillion of income from oil since 1978, the Kingdom has had an enormous economic growth. The kingdom has gone from a rather sleepy desert whose wealth came from the pilgrimage of a couple of hundred thousand Moslems to Mecca every year, to being the largest oil producer, the 11<sup>th</sup> producer of petrochemicals, the host to 2 million pilgrims per year, and the largest exporter of non oil goods in the Arab world.

Much of this growth has originated in Saudi Aramco and SABIC and the various government services which have employed and trained Saudis. Today Saudi Aramco has 92% Saudi employees and SABIC about 85%. The government is mostly staffed by Saudis as well. However, the private sector which has provided the services and a good part of the industry is over 90% staffed by foreign workers. There are 6.3 million foreign

workers and family members in the Kingdom today<sup>iv</sup>. Further, part of the Saudi miracle has included an enormous growth in health services, which has in part fuelled the largest population growth in the world. For a number of years, Saudi population growth hovered around 4% per year. According to Minister Ali alNaimi, the population growth has now declined to 3.2% per year, still a major yearly increase. As a consequence, Saudi unemployment has grown considerably and is creating tensions in society. When terrorist activity was at its peak in 2003/2004, polls were conducted in the Kingdom on what the Saudis viewed as their primary concern and the answer was job shortages, not terrorism.<sup>v</sup> The large expatriate population is often resented by the Saudis who feel that their livelihood is being stolen. It has been reported that about \$15 billion are being transferred home by the guest-beiters. If earned by Saudis, this amount, which is larger than all government capital investments each year, could be reinvested in the local economy and create numerous jobs for Saudis.

Prior to the present oil boom, tensions based on unemployment were rising and Saudi per capita income was declining rapidly. In 1998 income from oil declined to \$35 billion, about \$15 billion below the needed budget to run the government. The deficits were covered by borrowings from the local bank which increased to about \$180 billion, slightly below the overall Gross National Product of the country. The leadership started to consider various means to raise money, even considering creating erstwhile unknown taxes, and even the reopening of the oil sector to upstream foreign investments. The replacement of foreign workers, the creation of jobs for young Saudis became the subject of choice in the Kingdom. The leadership realized that there is no job creation in the Salafi agenda. It became important for the Royal Family and for the Crown Prince to start opening the political system first to liberalize the economy and somehow include people in the hard decisions to come.

One of the most difficult decisions to be made by the leadership is the reform of the education system. For a number of years the merchants and civil servants have been asking for a major reform of education to provide the economy with properly educated students. Unfortunately most of the students are overburdened by detailed and extensive religious studies. The teachers are themselves raised and imbued by the Salafi doctrine. Critical thinking is not pursued while rote learning is the rule. This led to the creation of numerous private schools by the merchants for their own families and friends. However, even these private schools have to provide the same overwhelming religious curriculum as the public schools.

The most egregious example of Salafi doctrines pushed on the students, such as the hatred of foreigners and of other religions have been removed from the textbooks, in great part due to pressure from the United States. Even a new book on "Civics" promotes a more open society, with women and foreigners shown in the books in positive role situations<sup>vi</sup>.

Notwithstanding the religious overlay on education, young Saudis are immersed in modern life and just as surrounded by globalization and mass media as Westerners. The need for educating a more technically and socially savvy youth, plus the country's

emphasis on development and the influence of globalization are creating a de facto marginalization of the Salafis. The Salafis appear to many Saudis as totally irrelevant to today's problems and needs of society. Hence, Saudi society keeps chipping at the controls imposed by the Salafis.

The Salafis are not opposed to economic growth per se. They do enjoy the income that has been created by the success of the civil service's industrialization. However, they do want to maintain a puritan society that will remain focused on salvation and the true path to God. They are willing to allow for industrial development but on their terms, without women, and with the proper time out for prayers and religious holidays, which of course does not make the industry competitive in a global economy.

One can surmise that in 2002/2003 the Salafis felt very threatened by the opening of the socio-political system undertaken by the Crown Prince. When the extremists started attacking expatriate Arabs as well as non Arabs in the Kingdom, the Salafis were in a position where they could demand from the Royal Family a re-adjustment of the system to put them back in charge of societal controls. After the arrests of the "liberals" in March 2004, the Crown Prince's national dialogue on women was delayed and eventually made into a sort of farce where women's issues were discussed by Salafi men with women in attendance through closed circuit TV. The promised elections were turned into a sham, where instead of electing national representatives to an increasingly important parliament, the state announced elections for half of the seats to powerless municipal councils. The other half is appointed by the Minister of Municipal Affairs [a senior prince]. The budget of the Mutawa'een was increased substantially, and shrill criticism of the Salafis was forbidden.

There are still today many efforts to impose the influence of the Salafis on Saudi society. Only in April 2005, the government announced that private foreign schools will have to start teaching Salafi religious doctrine using Saudi teachers and books. The economic forum in Jeddah had been well reported in 2004 because women and men sat in the same room and Ms. Olayan gave a speech to men, women, and TV audiences worldwide. In 2005, the same economic forum saw a segregation of the sexes and no controversial speeches.

In 2005 the societal constraints in the Kingdom have gone back to the pre-2001 situation. This of course does not help create jobs for Saudis based on Saudi investments. However, the potential economic tensions that Salafi control could create have been in great part offset by the enormous increase in government revenues from the high oil and petrochemical prices. The Crown Prince was able to reduce the national debt, pay the arrears due to contractors, distribute \$15 billion to the less fortunate in the form of housing grants and marriage dowries. The high income from oil allowed the Royal Family to provide for the poorer elements in society, maintain high-tech investments in the energy sector, keep the merchants satisfied through large new contract, satisfy the civil service with large new investments in oil and petrochemicals. Unfortunately, it also allowed the Saudi state to pacify the Salafis at the cost of foregoing social modernization for the time being.

## Consequences

The civil service's mission to expand the economy and make Saudi Arabia into a world economic power has been supported and probably originated by a few senior princes, in particular the late King Faysal and King Fahad. As such the civil service must continue to obtain full royal support to maintain growth. It is ensuring that the most conservative elements opposed to change or to globalization must remain away from the high technology development in oil and petrochemicals. It also means that the less senior princes must remain out of the same sectors to ensure continued professionalism. It implies that Saudi Arabia must join WTO to maximize the marketing of its energy based products in the world and particularly in Asia. The logic of an economic development led by the civil service requires an authoritarian regime to impose modernization upon society.

The issue of joining the World Trade Organization offers a significant indication on how economic development may actually impede democratization. However, WTO will influence society and promote a lively civil society which in the long run may evolve into more power sharing and the rise of more democratic structures. Accession to the WTO is important for the civil service because it guarantees access of Saudi products to the world markets. Saudi Arabia has a natural advantage in basic energy costs. While German firms, the largest producers of petrochemicals, buy their oil and natural gas feedstock at the equivalent of \$50/b in 2005, the Saudis basic cost is \$1.50/b. Saudi Aramco sells its methane and ethane to SABIC at \$0.75 per million BTU while the price in the US is at about \$7.00 per million BTU. Saudi Aramco also sells butane and propane to SABIC and to the other petrochemical manufacturers in the Kingdom at a 30% discount on world markets. The natural advantage of the Saudi petrochemical industry gives it a dominating natural advantage in establishing markets in the Far East. Without being members of the WTO, the Saudis could be criticized for dumping or subsidizing their products in the Far East, to the detriment the German, US or Chinese producers. Such accusation would result in large tariffs being leveled on Saudi products, limiting their competitiveness. As member of the WTO, Saudi Arabia would have recourse to the international courts which would have to accept the fact that Saudi Arabia is competitive solely because of its natural advantage.

Accession to the WTO is fraught with risk for the other social actors in the Kingdom. The main losers under the WTO would be the Salafis, the junior members of the Royal Family and the small merchants. The small merchants would lose their traditional right to be commission agents or representatives for foreign products. Under WTO foreign companies could sell directly without paying a fee or a share in profits. The junior members of the family could also get hurt as one of the main rules of the WTO is to have a transparent judiciary, so that all persons, foreign or local, can have access to a logical, fair and open legal system. Today the legal establishment is entirely under the thumb of the Royal Family and as a consequence, the Royal Family's privileges and ability to remain above the law is a fact of life. Removing the merchants' and even average citizens' fear of confiscation, or the need for Royal Family approval for



contracts and general economic activity would limit greatly the privileges of the princes and princesses. Finally, a WTO driven economy would force the kingdom to increase its competitiveness. Education would have to become increasingly technical, women would have to become involved in the economic life of the kingdom, the reliance on foreign workers would have to disappear, while knowledge, tolerance and understanding of foreign cultures would have to increase drastically. This implies a drastic marginalization of the Salafis and the progressive cancellation of their agenda.

Accession to the WTO is a very obscure and bureaucratic process. Until now most of the actors have not realized the implications of this potential change. Accession, however, is necessary for long term modernization and job creation. Therefore, it is unlikely that the state and the very senior princes who are pushing for bringing Saudi Arabia into the 21<sup>st</sup> century will be in favor of a democratic discussion of the issues. This most important decision will be authoritarian and enforced in the same manner. Today, economic development in the Kingdom is diametrically opposed to democratization. It is in fact a good example of the symbiotic relationships of one of the major social actors, the civil service, and the senior members of the Royal Family. The civil service needs to impose the WTO to develop the country, the Royal Family needs the development to diversify its income sources and create jobs for the citizens thereby limiting political pressure to share power. On the other hand, the social changes which economic globalization are bringing already, and will bring even faster to the Kingdom if it is accepted into the WTO, could possibly promote democratization in the long run. If indeed economic growth happens through the marginalization of the Salafis, and the decline of Royal Family's and the merchants' privileges, then the social conditions may ripen enough to allow the true development of a civil society which could lead to real elections to a real parliament.

In April 2005, the Majlis asShura was expanded to 150 members, with the entry into the body of a few lesser members of the Royal Family and more tribal leaders as well as the usual contingent of merchants, technocrats, and even a few Shi'a. Today the Shura has only very limited advisory powers, even though it now has the right to examine whatever item it wishes. Discussions have no need to include negotiations between political interest groups, since there are no groups except the Salafis. With the development of a civil society and meaningful elections, the Shura, could become a forum for negotiations between the main social groups in the country. However, if such a forum did develop, it would chip away at the refereeing role of the Royal Family. Undoubtedly the Royal Family knows the risks inherent to any potential loss or decline of its role of arbiter of society. Hence, one can expect that no one will rush to bring about quick elections and true power sharing through the Majlis asShura.

### **Other Models**

The other Gulf States provide variants of the Saudi example. All are characterized by their reliance on the Royal Families as the ultimate arbiters between the social groups. All are under pressure to create jobs for their own citizens. However, most, except the

UAE, have moved forward further than Saudi Arabia in developing the appearances of democracy.

Bahrain in particular is of interest, as it is often pointed to as the leading democratizing state in the region. Indeed, the Bahrainis have elections to municipal councils and to a parliament. The establishment of civil society is more advanced than in most places. Bahrain allows political clubs, freedom of the press, freedom from arbitrary detention and women are full partners in the process. However, in 2005, political pressures within Bahrain are increasing. In 2000, the appearance of democratization did lower the tension between the social groups which had boiled over between 1994 and 1999, but the overall role of the Royal Family was not changed. In fact, the new constitution has enshrined the strongest politician on the island, the Prime Minister. Obviously, liberalization, in the Dahl sense, was accepted but participation was not. The role and importance of the Prime Minister was not questioned. He is not responsible to parliament. Many in Bahrain even question his nominal subordination to the King. The major groups within the population, such as the moderate Shi'a and the moderate Sunnis, merchants and technocrats are entirely dependent on the good will of the King and the Prime Minister. Some of their members are now pushing to transform parliament into a body with real power. They are questioning the Prime Minister's authority and past dealings, such as the "mismanagement" of the Social Security Fund. The open criticism has led to calls by the King to maintain national unity, which implies that no criticism of the Prime Minister will be allowed. One of the leading political clubs was shut down for endangering the state, a new press law was put in place, a private human rights group was disbanded and its Shi'a leader arrested, etc.

The economic component of the Bahrain situation is vital to the political process. Bahrain is a relatively poor country. It only produces 27,000 barrels per day (b/d) and gets a grant of Saudi oil of 98,000 b/d. Bahrain relies on its ability to service the rest of the Gulf, especially Saudi Arabia. It is dependent on foreign, mainly Saudi and Kuwaiti capital for developing its industry and its tourism. All the social actors in Bahrain benefit from a rising economy, especially the Royal Family which is involved, unlike the Saudi Royal Family, in all the sectors of the economy. One of the reasons the present King brought reforms in 1999/2000 was because the economy was greatly suffering from the social tension. Foreign investors are seldom attracted to unstable places and arson or violent public demonstrations by the Shi'a in Bahrain, sent many companies to Dubai. The loss of attractiveness of Bahrain scared all the social groups who feared a loss of income and jobs. It pushed them all, Shi'a, Sunni merchants and the Prime Minister to accept the deal of pretend democratization against hope of future sharing of power.

At this time, Bahrain is reaping great benefits from the money flowing into the Gulf. The new found economic growth is also making the various social groups more aware that they deserve more than fealty to the Prime Minister. The present tensions could be interpreted as a game of chicken, to figure out who will give in first: the Prime Minister and his privileges or the Shi'a and Sunni opposition and their claim for real power sharing.

Still as is presently the case in Saudi Arabia, economic development has required authoritarian power to come about, and only now after it has taken hold, is the political power being challenged. This could be a harbinger of what may happen in Saudi Arabia post-WTO accession, but is not a sign that democratization will happen either smoothly or without resistance from the established authorities.

## Conclusion

The Gulf societies are structured and have been structured for centuries to make the ruling families indispensable arbiters of the main societal actors. In Saudi Arabia, the symbiotic relationship which the Royal Family has built with each of the Salafis, the civil service and the merchants ensures that each group can resolve their disputes only through the Family. In Bahrain, all political and economic roads lead to the Prime Minister and the rest of the Royal Family. All the societal actors are as dependent on the goodwill of the Royal Family as they are in Saudi Arabia. Should democratically elected parliaments with some form of credible power sharing convene, they would provide forums for the societal groups to resolve their problems and negotiate long-term policy. In other words it would render the Royal Families' role of arbiter obsolete. Hence, the present structures are unlikely to produce democracy. In Saudi Arabia, they may institutionalize Dahl's competitive oligarchies-a state of permanent competition between the Salafis, the civil service and the merchants, with the Royal Family in the center pulling the strings of each groups in its own favor.

The strong economic growth of the region is only fuelling the trend towards competing oligarchies. The energy-based industries-the main source of funds and the future of the Gulf States in general, and of Saudi Arabia in particular, are managed by the professional civil service encouraged by the senior princes but in direct conflict with the Salafis equally supported by the same princes. Hence, economic development only builds the country's dependence on the Royal Family's authoritarian regime. In light of the stronghold of the Royal Families and the more conservative elements of the Gulf societies, economic development by fiat may be a necessary condition to the growth of a substantial civil society. When the civil society nurtured by globalization, modern education, meaningful jobs and participation of women becomes more entrenched, the Salafis may lose their importance and the Royal Families their privileges. Then the Gulf countries will be able to evolve towards both liberalization and power sharing, moving as per Dahl's theory towards a democratic system.

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<sup>i</sup> Dahl, Robert. *Polyarchy*. Yale University Press, New Haven, CT 1971.

<sup>ii</sup> According to Eleanor Doumato, the Ministry of Education is in the process of implementing a new curriculum starting in 10<sup>th</sup> grade which requires students to "only" take 55 credits in religious studies per year out of 135.

<sup>iii</sup> Interview with a prominent Saudi lawyer in Riyadh in March 2004.

<sup>iv</sup> Saudi census reported in the Arab News, Jeddah. 11/26/2004

<sup>v</sup> Survey by the Saudi National Assessment Project reported in the International Herald Tribune Paris 28/6/2004,

<sup>vi</sup> Study by Eleanor Doumato, presented at MIT, Cambridge, Massachusetts, April 5, 2005.